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Comments on DOER Questions:

For Class I

- What should the Alternative Compliance Payment (ACP) amount be for Class I, and how should it be calculated?
- What new or modified criteria should be required for any of the specified eligible technologies or fuels?

Ansar Energy LLC comments

The Renewable Portfolio Standards (RPS) legislated per Section 11 F should include a carve out for Photo Voltaic (PV) solar projects, with due consideration to a nominal impact on the average electric bill. Many states including New Mexico (4% solar by 2020), Nevada (1% solar by 2015), New Jersey (2.12% solar by 2021), Delaware (2% solar by 2019) and others have already instituted solar specific RPS.

Suggest an annual 20% carve out from the 15% total renewable RPS requirements, for solar PV in Mass., with an effective start date of 2006 which will still result in about 3% of the electricity in the state be supplied form solar power by 2020. Using current day technology costs and conventional financing, and using the federal investment tax credits and accelerated depreciation, the required tariff for PV projects in Mass is projected to be in the range of $400/mwh to $650/mwh. The tariff from PV solar projects can actually go down after the first 10 years for the subsequent 15 years of the project life of 25 years. Thus starting in 2020, the tariff from the PV projects commissioned in 2009 can reduce their tariffs significantly, contributing to path of tariff stability in the state.

The Alternative Compliance Payment (ACP) for the PV solar projects should reflect the real market price of PV solar projects in Mass. The ACP can be reviewed every few years to reflect market conditions. The avoided cost of utility companies owning and operating PV solar projects, as rate based projects can serve as a floor for the ACP.

National Grid recently announced 5 MWs of PV power projects with a projected investment of $38 million or $7,600/kw. Using traditional utility finance, we expect that the PV solar ACP should be in the range of 45 cents/kwh. Utilities in Mass. are being allowed to build, own and operate PV projects under the umbrella of the regulated utility rather than via independent entities. This arrangement raises the concern of the regulated utility using the rate payers to subsidize their PV generation projects. The cross subsidy could be over a wide range of activities that the independents would have to account for on a stand alone basis. The

areas that the regulated utility, using their privileged position, can cross subsidize their generation projects with revenues from the rate payers include:

- Site development and allocation of cost for sites. Rate payer financed sites could be allocated at a lower than market price to the utility generation project
- Project development and design costs. Utility professional staff paid for by the rate payers could be used to develop the generation projects and not be properly reflected in the cost of PV projects approved by the DPU.
- Financing. The utilities are able to use their balance sheets to get favorable long term financing on the basis of their regulated status. In order to have a level playing field the utilities should negotiate long term PPAs with independents in a form such that the independent projects can obtain similar financing terms.
- O&M. The regulated utility O&M resources can be used for the PV projects rather than with a accurate allocation of true stand alone costs.

The exercise of establishing true, unsubsidized costs of a regulated utility owing PV generation projects can be used as a starting point for establishing ACP for solar energy. This base cost should be adjusted to factor other benefits that distributed PV solar projects provide, including the following, to arrive at the suitable solar ACP:

- Avoiding incremental transmission investment
- Reduced distribution system upgrades
- Increased system stability
- Contribution to reducing peak power requirements, since PV solar generation closely matches system peak requirements.

The ACP thus calculated can be reviewed every 2 to 3 years to reflect changing market conditions.

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President